

Memorandum

Community Development Department



Economic Development

Date: April 3, 2008

To: Mayor and City Council

From: Micah Miranda (x2218)
Economic Development Specialist

Through: Sheri Wakefield-Saenz (x8812)
Deputy Manager, Community Development -Economic Development

Reviewed by: Chris Salomone (x8294)
Manager, Community Development

Subject: City of Tempe Enterprise Zone Commission Final Report, Fiscal Year 2006-2007

The primary function of the City of Tempe Enterprise Zone (EZ) program is to improve economically depressed sections of the city by encouraging new capital investment into business and neighborhood locations that stimulate economic growth and encourage employment opportunities. The City of Tempe Economic Development division administers the program and actively markets the benefits of the enterprise zone to the business community.

Arizona Revises Statute 41-1522 requires that the City of Tempe Enterprise Zone Commission meet at least semiannually and submit an annual report to the Arizona Department of Commerce detailing development within the zone. Fiscal year 2006-2007 highlights include:

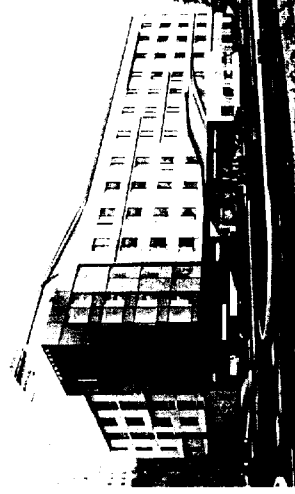
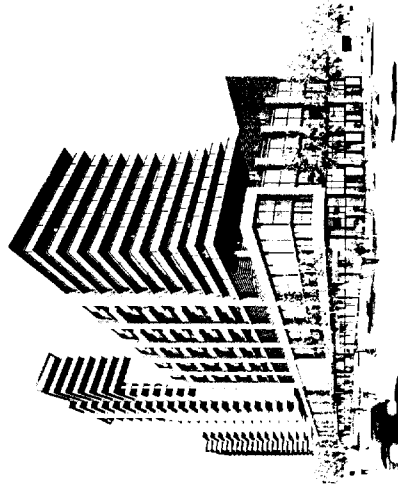
- Per the 2006 Enterprise Zone Report, 813 new jobs added in the City of Tempe EZ, which claimed EZ income tax credits. Representing 15% of the statewide total.
- Per the 2006 Enterprise Zone Report, 659 2nd year jobs continued in the City of Tempe EZ, which claimed EZ income tax credits. Representing 17% of the statewide total.
- Per the 2006 Enterprise Zone Report, 328 3rd year jobs continued in the City of Tempe EZ, which claimed EZ income tax credits. Representing 10% of the statewide total.
- Certification of two companies for property tax reclassification
- \$67,054,300 in new capital investment in the City of Tempe EZ

Per Arizona statute enterprise zones have a five year authorization period, the City of Tempe EZ is scheduled to terminate December 31, 2008. Staff recommends City Council direct staff to submit a reauthorization application to the Arizona Department of Commerce on behalf of the Commission. The reauthorization would incorporate the same zone boundaries and the application deadline is October 31, 2008.

CITY OF TEMPE ENTERPRISE ZONE COMMISSION FINAL REPORT

Fiscal Year 2006-2007

April 3, 2008



TEMPE ENTERPRISE ZONE

Enterprise Zone Program

The primary function of the City of Tempe Enterprise Zone (EZ) program is to improve economically depressed sections of the city by encouraging new capital investment.

Enterprise Zones are designated by the Arizona Department of Commerce and provide the following benefits to qualifying businesses:

Income Tax Credits:

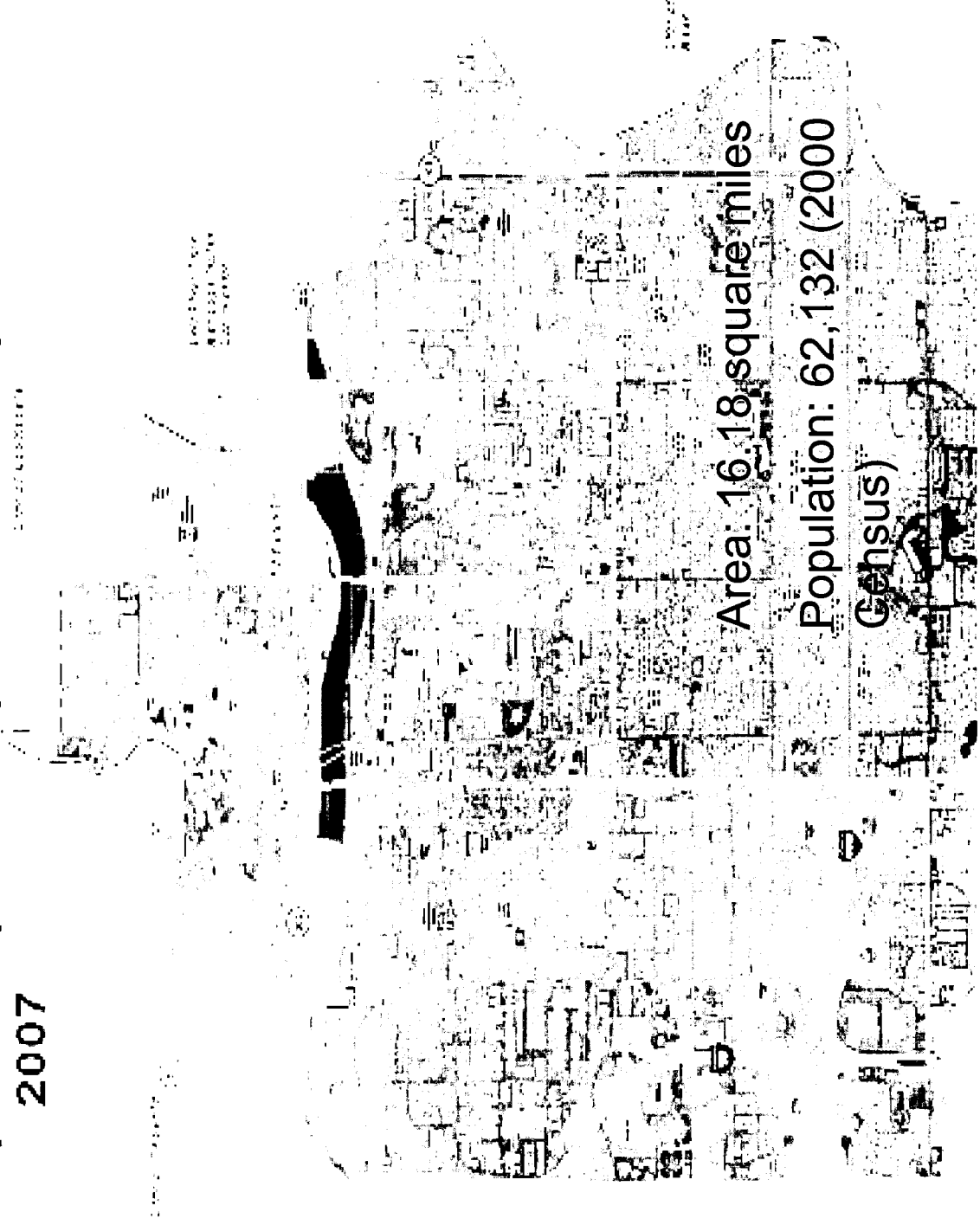
Tax credits may total up to \$3,000 per qualified employment position over three years for a maximum of 200 employees in any given tax year.

Property Reclassification:

Property tax reclassification from the current assessment ratio to 5% is available for qualified manufacturing businesses located within an enterprise zone.

Tempe Enterprise Zone

City of Tempe Enterprise Zone Map 2007



FY 2006 – 2007 Highlights

Fiscal year 2006-2007 highlights include:

- Per the 2006 Enterprise Zone Report, 813 new jobs added in the City of Tempe EZ, which claimed EZ income tax credits. Representing 15% of the statewide total.
- Per the 2006 Enterprise Zone Report, 659 2nd year jobs continued in the City of Tempe EZ, which claimed EZ income tax credits. Representing 17% of the statewide total.
- Per the 2006 Enterprise Zone Report, 328 3rd year jobs continued in the City of Tempe EZ, which claimed EZ income tax credits. Representing 10% of the statewide total.
- Certification of two companies for property tax reclassification
- \$67,054,300 in new capital investment in the City of Tempe EZ

Enterprise Zone Annual Update

(Due by July 15th of each year)

Date: February 22, 2007 Fiscal Year: 2006 – 2007

Enterprise Zone: City of Tempe Enterprise Zone

Section A: General Information

Please describe any significant social and economic changes that affected the local business climate.

During the first two quarter of fiscal year 2006 – 2007 economic growth within the zone was strong and only slightly slowed down during the final two quarters mirroring the regional economy. Unemployment rates for the regional economy remained low, closing-out at 3.1% for the fiscal year, representing a very strong economy. Mortgage rates also declined during the year, encouraging homeownership in the zone as well as supporting the local housing industry which is pivotal to the local economy.

Increased social events within the Tempe Enterprise Zone such as the Insight Bowl, Ford Ironman Arizona and the opening of the new Tempe Center for the Arts are helping to provide needed customers for zone retailers and hotels, in addition the popularity of these events are helping to market the zone and its benefits to businesses looking to expand or relocate.

Section B: Goals & Strategies

Please describe the original goals for the zone, what strategies/actions have been taken to accomplish those goals and the completion date for each.

Goals	Strategies/Actions	Estimated Completion Date	Date Completed
Create & Retain Jobs	Maintain/establish and leverage ideas channels for innovative collaboration through centers of excellence(i.e., market assets)	On-going	On-going
Maximize Higher Skill/Wage Jobs	Preferred Company Environment (PCE), which is a model for commercializing new technology and attracting an educated workforce.	On-going	On-going
Encourage New Capital Investment	Municipal programs and resources are committed to illustrate strong support for private sector capital investment in the zone.	On-going	On-going
Transparency and Client Satisfaction	Maximize administrative efficiency, serve as a single point of contact for those wishing to utilize Enterprise Zone benefits, streamline the approval process.	On-going	On-going

Have there been any modifications to the Goals & Strategies? If YES, please complete the information below.

Goals	Modifications	Estimated Completion Date	Date Completed
Encourage New Capital Investment	The City of Tempe Community Development Office is now placing a greater emphasis on quantifying the economic advantages of locating/expanding a business in the Tempe Enterprise Zone. Property taxes, payroll taxes, energy cost, telecommunication costs, etc. will be analyzed thoroughly and compared against competitors in an effort to increase capital investment.	On-going	On-going

Section C: Marketing & Promotion Activities

Please identify the marketing activities undertaken by the commission and the completion date for each.

Activities	Estimated Completion Date	Date Completed
Bioindustry Organization Annual International Conference – Boston	FY 2006-2007	May 2007
Medical Device Manufacturing Trade Show - Los Angeles, CA	FY 2006-2007	February 2007
International Council of Shopping Centers – Las Vegas, CA	FY 2006-2007	May 2007
Centerpoint Condominiums Urban development media event	FY 2006-2007	January 2007
Chinese Investor Delegation	FY 2006-2007	October 2006
East Valley Tribune Editorial Board	FY 2006-2007	November 2006
Insight Bowl and Super Bowl business Media Event	FY 2006-2007	November 2006
Explore the Ground Floor Retail Event	FY 2006-2007	October 2006

Section D: Management Plan

Please list any additions/deletions made to the commission members.

Addition/ Deletion	Name & Title	Community	Address	E-Mail
Addition	Councilmember, Shana Ellis	City of Tempe	City of Tempe, 31 East Fifth Street, Tempe Arizona 85281	shana_ellis@tempe.gov
Addition	Councilmember, Onnie Shekerjian	City of Tempe	City of Tempe, 31 East Fifth Street, Tempe Arizona 85281	onnie_shekerjian@tempe.gov
Deletion	Councilmember, Pamela Goronkin	City of Tempe	City of Tempe, 31 East Fifth Street, Tempe Arizona 85281	N/A
Deletion	Councilmember, Leonard Copple	City of Tempe	City of Tempe, 31 East Fifth Street, Tempe Arizona 85281	N/A

Has the Zone Administrator changed? _____ Yes _____ X No

If YES, please provide contact information for him/her.

Name	Title	Community	Address	E-Mail
N/A	N/A	N/A	N/A	N/A

Have 2 commission meeting been held? _____ X Yes _____ No

What were the dates of the commission meetings? _____ 08.15.2006 & 02.01.2007

What is the date of the next commission meeting? _____ April 3, 2008

Has the commission applied for funds, received any gifts, loans or other money for improvement of the zone, if so please identify below.

Source	Date Applied	Date Received	Type of Assistance	Amount received
Community Development Block Grants (CDBG)	May 2006	Fiscal Year 2006-2007	U.S Department of Housing and Urban Development	\$1,642,014
Community Development Block Grants (CDBG)	May 2006	Fiscal Year 2006-2007	Brownfields Economic Development Initiative	\$1,000,000

Section E: Business Activity

Please provide the business activity within the zone for each category.

What was the total number of businesses located within the zone at the time of designation?

457 businesses as of 11/01/1990

What was the total number of businesses located within the zone during the previous year?

2,820 per the Maricopa Association Governments

Currently how many businesses are located within the zone?

The most recent data figures available are from the 2007 Maricopa Association of Governments which indicates a total of 2,590.

What is the total number of new businesses locating in the zone?

Currently the City of Tempe relies on the Maricopa Association of Governments to provide this information as the city does not issue business licenses to all businesses.

Company Name	Type of Business	# of Employees	New Business/ Branch or Subsidiary	Relocated From
--------------	------------------	----------------	--	----------------

See Attached Spreadsheet "Worksheet, Section E – Business".

Note: the figures provided are not absolute as the city does not require a business operating license.

How many businesses expanded within the zone?

According to the City of Tempe Construction Activity/Major Project Report, 37 organizations finalized their permits and/or expanded in the Tempe Enterprise Zone, however, companies may increase employment levels without notifying the city.

How many new jobs were created because of these expansions?

Approximately 3,500 jobs were created in the EZ with assistance from the City of Tempe Economic Development Division of which 813 claimed for state income tax credits according to the Arizona Department of Commerce, *2006 Enterprise Zone Annual Report*.

What was the total amount invested in these expansions?

According to the City of Tempe Construction Activity/Major Project Report, \$67,054,300 in declared valuation.

What role did the enterprise zone play in these expansions?

The financial benefits of the enterprise zone encouraged and permitted these companies to make significant capital investments in this economically distressed area that otherwise may have not been possible.

How many businesses closed or relocated out of the zone?

Currently the City of Tempe does not have a mechanism in place to appropriately track and provide the specific number of new business closing or relocating out of the zone.

Could the decision be reversed by additional incentives? If YES, what kind.

Each business closure and relocation is subject to individual circumstances such as; revenue generation, cost of operating, product obsolescence and so-forth. While additional incentives may have reversed the decision for some businesses to close or relocate, no definitive answer or empirical evidence is available.

Section F: Incentive Programs Available

What types and amounts of incentives are offered by the local government to businesses located within the zone?
With an **asterisk *** identify any incentives that are new since the last report.

Incentives	Amounts Available
New Market Tax Credits from the U.S. Treasury Community Development Financial Institution Fund	\$10,000,000 of tax credit allocation is dedicated to Tempe investments

What other programs are utilized within the zone and their funding source? Examples of such are job training, low-cost housing, community development block grants, special loan programs and etc. Please also list the source of funding for each of the programs.

Programs	Source
American Dream Down Payment Initiative	\$13,083
Section 8 Housing Choice Voucher Program	\$8,229,214
Home Investment Partnership Program	\$498,618
Section 108 Loan Guarantee	\$7,000,000

Section G: Public Investment

Please outline the public investments made within the zone and the funding source for each.

Investment	Source	Amount invested
See Attached Spreadsheet "Worksheet, Section G"		

Where there any changes in the type and/or amount of infrastructure development and the source of funds for the projects?

_____ Yes X No

If YES, please comment: _____

Section H: Affidavit

I, a member of the commission, certify the information provided on and with the ***Enterprise Zone Annual Update*** is true and correct according to the knowledge of the undersigned after a reasonable investigation of the facts. Further in accordance with A.R.S. §41-1522(J) the undersigned agrees to provide by July 15th an annual update to the Arizona Department of Commerce to document the effectiveness of the zone.

Signed: _____ Title: _____

Please print your name: _____ Date _____